



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
ANDERSON COUNTY CLERK**

**Calendar Year 2000**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
[WWW.KYAUDITOR.NET](http://WWW.KYAUDITOR.NET)**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELE. (502) 564-5841  
FAX (502) 564-2912**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE ANDERSON COUNTY CLERK**

**Calendar Year 2000**

The Auditor of Public Accounts has completed the Anderson County Clerk's audit for calendar year 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

#### **Financial Condition:**

Fee account balances decreased by \$21,843 from the prior calendar year, resulting in a cash surplus of \$89,159 as of December 31, 2000. Revenues increased by \$44,053 from the prior year and disbursements increased by \$65,896.

#### **Lease Agreements:**

The County Clerk is obligated to a lease agreement for Computer Software and Equipment. Lease principal agreements totaled \$ 8,295 as of December 31, 2000.

#### **Report Comments:**

- The County Clerk's Office Lacks Proper Segregation Of Duties

#### **Deposits:**

The Clerk's deposits were insured and collateralized by bank securities or bonds.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Anthony Stratton, Anderson County Judge/Executive  
Honorable Harold Ritchey, Anderson County Clerk  
Members of the Anderson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Anderson County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
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In accordance with Government Auditing Standards, we have also issued a report dated September 11, 2001, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following reportable condition:

- The County Clerk's Office Lacks Proper Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
September 11, 2001



ANDERSON COUNTY  
HAROLD RITCHEY, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
Calendar Year 2000

Receipts

State Grants		\$	4,160
State Fees For Services			8,621
Fiscal Court			11,330
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	412,448	
Usage Tax		1,375,494	
Tangible Personal Property Tax		1,264,798	
Licenses-			
Fish and Game		8,006	
Marriage		5,934	
Occupational		21,118	
Deed Transfer Tax		49,102	
Delinquent Tax		79,381	3,216,281
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	13,816	
Real Estate Mortgages		34,068	
Chattel Mortgages and Financing Statements		49,050	
Powers of Attorney		1,190	
All Other Recordings		22,465	
Charges for Other Services-			
Clerk's Liens		4,519	
Copywork		6,564	
Election Income		540	
Title Applications		8,073	140,285
Other:			
Postage	\$	729	
Refunds and Overpayments		6,693	
Miscellaneous		660	8,082
Interest Earned			3,964
Gross Receipts		\$	3,392,723

ANDERSON COUNTY  
HAROLD RITCHEY, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
Calendar Year 2000  
(Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 309,714

Usage Tax 1,333,896

Tangible Personal Property Tax 493,098

Licenses, Taxes, and Fees

Fish and Game 7,902

Delinquent Tax 10,809

Legal Process Tax 17,953 \$ 2,173,372

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 109,552

Delinquent Tax 8,954

Deed Transfer Tax 46,646

Occupational Licenses 20,062 185,214

Payments to Other Districts:

Tangible Personal Property Tax \$ 611,538

Delinquent Tax 39,700 651,238

Payments to Sheriff

1,069

Payments to County Attorney

12,113

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 165,798

Grant Salaries 4,175

Contracted Services-

Indexing 1,895

Printing and Binding 1,964 173,832

ANDERSON COUNTY  
HAROLD RITCHEY, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
Calendar Year 2000  
(Continued)

Operating Disbursements and Capital Outlay: (Continued)

Materials and Supplies-			
Office Supplies	\$	7,078	
Other Charges-			
Conventions and Travel		2,895	
Dues		550	
Postage		4,539	
Reimbursements		6,635	
Maintenance and Repairs		1,520	
Miscellaneous		683	
Capital Outlay-			
Office Equipment		1,000	
Office Furniture		980	
		<u>980</u>	\$ 25,880
Debt Service:			
Lease Purchases		<u>16,547</u>	
Total Disbursements			<u>\$ 3,239,265</u>
Net Receipts			\$ 153,458
Less: Statutory Maximum	\$	59,306	
Training Incentive		<u>1,393</u>	<u>60,699</u>
Excess Fees			\$ 92,759
Less: Expense Allowance			<u>3,600</u>
Excess Fees Due County for Calendar Year 2000			\$ 89,159
Payments to County Treasurer - February 20, 2001	\$	88,984	
Payments to County Treasurer - March 6, 2001		<u>175</u>	<u>89,159</u>
Balance Due at Completion of Audit			<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

ANDERSON COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent.

ANDERSON COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2000  
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$4,160. Funds totaling \$4,160 were expended during calendar year 2000.

Note 5. Lease

The County Clerk had a commitment to the following lease agreement as of December 31, 2000:

Item Purchased	Monthly Payment	Term Agreement	Ending Date	Principal Balance as of December 31, 2000
Computer Software and equipment	\$ 1,185	48 Months	July 6, 2001	\$ 8,295

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## COMMENT AND RECOMMENDATION





ANDERSON COUNTY  
HAROLD RITCHEY, COUNTY CLERK  
COMMENT AND RECOMMENDATION

Calendar Year 2000

INTERNAL CONTROL - REPORTABLE CONDITIONS:

The County Clerk's Office Lacks Proper Segregation Of Duties

We recognize the extent of segregation of duties is a judgment established by management. We also recognize this judgment is affected by certain circumstances beyond the elected official's control such as functions prescribed by statutes and regulations, and by budgetary constraints. Due to a limited staff size, a proper segregation of duties may be impossible. However, a lack of segregation of duties is hereby noted as a reportable condition pursuant to professional standards established by the American Institute of Certified Public Accountants. We believe this reportable condition as described above is a material weakness. We recommend that compensating controls be established over receipts and disbursements.

*County Clerk's Response:*

*No Response.*

PRIOR YEAR:

None.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





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Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Anderson County Clerk for the year ended December 31, 2000, and have issued our report thereon dated September 11, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Anderson County Clerk's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Anderson County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comment and recommendation.

- The County Clerk's Office Lacks Proper Segregation Of Duties

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the following reportable condition to be a material weakness.

- The County Clerk's Office Lacks Proper Segregation Of Duties

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
September 11, 2001

